

~~SECRET~~

39
25X1

OCI No. 1764/65

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
27 May 1965

INTELLIGENCE MEMORANDUM

Possible Chinese Aid to Tanzania Railway

1. The question of Chinese assistance for the proposed railway from Zambia to the Tanzanian coast has arisen again in connection with the current meeting of US ambassadors and senior Department of State officers in Addis Ababa. Zambia's President Kaunda sent a special emissary to Addis with a report that the Chinese Communists had made a firm offer to President Nyerere to help build the railroad. The emissary claimed that both Kaunda and Nyerere were anxious to receive a Western offer to preempt the Chinese. Although this has the appearance of a pressure tactic, it is possible that Nyerere and the Chinese have reached some preliminary agreement on the project.

2. On the basis of political factors, the two countries decided last fall to proceed with construction of the railroad as soon as possible. This line, a long time dream of Presidents Kaunda and Nyerere, would lessen Zambian dependence on Southern Rhodesia and Mozambique and open up remote areas of both countries for development. It would offer Zambia another outlet to the sea for its copper and would provide impoverished Tanzania with revenues from the transshipment of this copper. Nyerere regards its construction as an essential step in his campaign to liberate southern Africa by lessening Zambia's dependence on that area.

3. The decision to proceed with the railroad was made 16 October 1964, a week before Zambia's independence. At a meeting in Dar es Salaam, East African leaders agreed that Zambia should build its own portion of the line. The Tanzanian end would be handled by East African

25X1
State Dept. review completed

~~SECRET~~

[REDACTED]

Railway and Harbors (EAR), an affiliate of the Common Services Organization (EACSO) that operates the communications and transportation of Kenya, Uganda and Tanzania. Since October there have been frequent high level meetings to discuss routes and financing. Recently, however, President Kenyatta has had second thoughts on EACSO involvement in the project.

4. For months prior to the October meeting Nyerere had been urging on the US the importance of this rail link. He never submitted a formal or specific proposal, but he tried repeatedly to elicit an expression of affirmative interest. Kaunda's approaches were no less insistent. A superficial survey had been done in 1963 on behalf of UK-Rhodesian interests. Last year a World Bank economic feasibility study, requested by Zambia, reported that the 1,000-mile railroad would cost \$162 million and would run at a loss until 1990. The Bank refused to participate as the project could not be justified on economic grounds. It subsequently indicated on the basis of additional information that the cost might approach \$400 million, but there still has been no reliable cost survey.

5. The Tanzanians have shopped in all markets in their search for assistance. An approach to Moscow last August--made after they learned of the negative World Bank attitude--brought no apparent results. Nyerere has probably concluded that Western aid is an unlikely prospect. Last fall he expressed some interest in a feasibility study offered by the US, but this offer has been lost in the subsequent souring of US-Tanzanian relations. The Tanzanians are convinced that the World Bank attitude reflects the views and influence of the US and UK governments who, they believe, are opposed to the project because of financial interests in the Zambian copperbelt and political ties with Portugal. They are impatient to move ahead and now want to proceed with an engineering survey to be done by the same entity that builds the railroad.

6. Tanzanian discussions with the Communist Chinese may have begun as early as last July when Vice President Kawawa visited Peking. In September Chinese technicians made several visits to the Tanzania-Zambia border area. In the course of making surveys for a paper mill and other projects in the two possible areas through which the railroad might run, they collected topographic and

SECRET

25X1

geological survey maps and other data which could be of use for a railroad study, but hardly enough to make an appraisal of construction costs. In early February a Tanzanian minister stated that the Chinese had definitely offered to build the rail link. At the time several Chinese inquired in the Dar es Salaam railway workshops concerning railroad construction and maintenance costs. While Nyerere was in Peiping in February he reportedly asked the Chinese for railroad aid and received a noncommittal reply. The subject may have been discussed again in mid-March when Chinese deputy foreign minister Chi Peng-fei paid an unannounced visit to Dar es Salaam. On 30 March Nyerere volunteered to investigate the financing of his end of the line on behalf of his East African colleagues. He has made no known approaches to Western sources this spring. Kaunda's claim that Peiping has now made a firm offer may be true and Premier Chou En-lai's visit to Tanzania around 3 June would provide an opportunity to make an announcement concerning arrangements.

7. President Kenyatta announced on behalf of EACSO on 14 May that Zambia would proceed with its section and that Tanzania had been authorized to negotiate financing for its portion. He added that the Tanzanian end would be built in "wide gauge"--presumably the same 3'6" measurement of existing Zambian railroads, as distinct from the 3'3-3/8" "meter gauge" used in East Africa. East African rolling stock can be converted to wide gauge, but it is possible that Nyerere is planning to construct the new line outside the existing framework.

25X1

Deep cracks are showing in EACSO, and the Tanzanians would probably prefer to retain any copper transit revenues for themselves. Tanzania's Minister for Development Planning, Nsilo Swai, who has been working on the rail project, is one of the principal supporters of the Chinese in the cabinet and an ardent advocate of Tanzanian economic independence from Kenya and Uganda.

8. Considering Nyerere's determination to build the railroad, his willingness to accept the best deal available, his distrust of US intentions, his increasingly cordial relations with Peiping during the past years, and

25X1

SECRET

SECRET

25X1

his addiction to the "partnership of the underdeveloped lands," it is possible that he has already decided to proceed with Chinese assistance. He will be able to say, as he has in similar instances in the past, that he looked first to the West. It is problematical whether a Western offer at this stage would preempt any Chinese offer. Nyerere probably believes that Chinese aid would be cheaper, would carry fewer conditions, and would bring more immediate results. Even if Nyerere should accept Western aid alone, the existing Chinese influence in Tanzania would not be reduced substantially, nor would it preclude the growth of Chinese presence in subsequent projects.

9. There is no evidence that the Chinese have made a firm offer to aid in building the railway. Peiping is capable of providing some aid, and may intend to do so in the belief that it would be a sound political investment. The Chinese might hope to get substantial propaganda mileage at an acceptable price by stretching the cost over five to seven years and by volunteering for a politically advantageous and financially modest segment of the project. They might, for example, offer technical advisers, Chinese laborers, and small grants or credits tied to the purchase of Chinese materials.

10. Nyerere may be considering the possibility of joint East-West support for the project and may be seeking Western credits with the idea of involving both China and the West in this effort. This would be consistent with his concept of nonalignment and the need for a parity of aid so that no one country can achieve a dominant position in Tanzania. The Chinese would refuse, however, to cooperate in any joint venture with the West--particularly with the US--to construct the railroad.

11. Zambian President Kaunda has been seeking a Western commitment to help build the railroad not only for domestic reasons, but also because he is deeply disturbed by the deterioration in US-Tanzanian relations. Kaunda is a moderate who, perhaps too optimistically, hopes for a non-violent solution to the problem of the liberation of southern Africa from white control. He believes that an impact project such as the railroad would not only solve major problems in Zambia but also do much to strengthen Nyerere's hand against the Tanzanian radicals.

25X1

SECRET

~~SECRET~~

25X1

12. Domestically, Kaunda is caught in the dilemma of strong African pressures on him to assist directly in the liberation of southern Africa and the fact of Zambia's dependence for continued economic stability on the white-controlled regimes of southern Africa, most notably Rhodesia. Zambia presently must export copper, the source of 90 percent of its export income, through Rhodesia and Portuguese-controlled Mozambique to the port of Beira, or through Katanga to Angola. Kuanda's interest in the railroad has been heightened by the threat that the Rhodesian whites might unilaterally declare the state's independence, a situation in which he might be denied the transportation routes through Rhodesia.

13. Kaunda believes that Zambia must align itself with Tanzania, Uganda, and Kenya. He feels he can work with Nyerere, and is apparently convinced that Nyerere has not "sold out" to the East. Last February, he asked to meet with US officials in Lusaka to relate his fears of the deterioration of US-Tanzanian relations. He stressed that "a program must be launched this year to save Tanzania."

14. Kaunda fears that a complete radical takeover in Tanzania would inevitably affect his own position in Zambia, and that radical pressures emanating from Tanzania would eventually bring about his own downfall. For his own account, he has said that if he is to withstand radical pressures, he must receive something tangible to show that it is worthwhile to deal with the US.

15. As for the Zambian link of the railroad, Kaunda has been talking strictly in terms of Western financing, and it seems almost certain he would turn to the Chinese only if he was turned down by the West, and then only reluctantly. Kaunda has established diplomatic relations with Moscow and Peiping, but has decreed strict measures to circumscribe the activities of the Communist diplomats in Zambia.

25X1

~~SECRET~~

STAT

Approved For Release 2003/07/30 : CIA-RDP79T00472A000700030029-8

Next 1 Page(s) In Document Exempt

Approved For Release 2003/07/30 : CIA-RDP79T00472A000700030029-8